

AMENDED IN SENATE JULY 1, 2014
AMENDED IN SENATE JUNE 10, 2014
AMENDED IN ASSEMBLY APRIL 10, 2014
AMENDED IN ASSEMBLY MARCH 28, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 2493

Introduced by Assembly Member Bloom
(Coauthors: Assembly Members Achadjian, Alejo, Brown,
Lowenthal, Mullin, V. Manuel Pérez, Nestande, Skinner, and
Waldron)

(Coauthor: Senator Lara)

February 21, 2014

An act to amend Sections 34176 and 34191.4 of the Health and Safety Code, relating to community redevelopment.

LEGISLATIVE COUNSEL’S DIGEST

AB 2493, as amended, Bloom. Redevelopment dissolution: housing projects: bond proceeds.

Existing law dissolved redevelopment agencies and community development agencies, as of February 1, 2012, and provides for the designation of successor agencies to wind down the affairs of the dissolved redevelopment agencies and to, among other things, make payments due for enforceable obligations and to perform obligations required pursuant to any enforceable obligation. Existing law provides for the transfer of housing assets and functions previously performed by the dissolved redevelopment agency to one of several specified public entities. Existing law authorizes the successor housing entity to

designate the use of, and commit, proceeds from indebtedness that was issued for affordable housing purposes prior to January 1, 2011, and was backed by the Low and Moderate Income Housing Fund.

This bill would instead authorize a successor housing entity to designate the use of, and commit, proceeds from indebtedness that was issued for affordable housing purposes prior to June 28, 2011, and would require the proceeds from bonds issued between January 1, 2011, and June 28, 2011, be used for projects meeting certain criteria established in this bill for projects, to be funded by successor agencies generally, from proceeds of bonds issued during the same period.

Existing law authorizes the Department of Finance to issue a finding of completion to a successor agency that completes a due diligence review and meets other requirements. Upon receiving a finding of completion, a successor agency is authorized to expend excess bond proceeds derived from bonds issued on or before December 31, 2010, in a manner consistent with the original bond covenants.

The bill would expand this authorization to include the expenditure of excess bond proceeds derived from bonds issued on or before June 28, 2011, and would require proceeds derived from bonds issued between January 1, 2011, and June 28, 2011, to be used by successor agencies only for projects meeting certain criteria.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 34176 of the Health and Safety Code is
2 amended to read:
3 34176. (a) (1) The city, county, or city and county that
4 authorized the creation of a redevelopment agency may elect to
5 retain the housing assets and functions previously performed by
6 the redevelopment agency. If a city, county, or city and county
7 elects to retain the authority to perform housing functions
8 previously performed by a redevelopment agency, all rights,
9 powers, duties, obligations, and housing assets, as defined in
10 subdivision (e), excluding any amounts on deposit in the Low and
11 Moderate Income Housing Fund and enforceable obligations
12 retained by the successor agency, shall be transferred to the city,
13 county, or city and county.

(2) The housing successor shall submit to the Department of Finance by August 1, 2012, a list of all housing assets that contains an explanation of how the assets meet the criteria specified in subdivision (e). The Department of Finance shall prescribe the format for the submission of the list. The list shall include assets transferred between February 1, 2012, and the date upon which the list is created. The department shall have up to 30 days from the date of receipt of the list to object to any of the assets or transfers of assets identified on the list. If the Department of Finance objects to assets on the list, the housing successor may request a meet and confer process within five business days of receiving the department objection. If the transferred asset is deemed not to be a housing asset as defined in subdivision (e), it shall be returned to the successor agency and the provision of Section 34178.8 may apply. If a housing asset has been previously pledged to pay for bonded indebtedness, the successor agency shall maintain control of the asset in order to pay for the bond debt.

(3) For purposes of this section and Section 34176.1, “housing successor” means the entity assuming the housing function of a former redevelopment agency pursuant to this section.

(b) If a city, county, or city and county does not elect to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, assets, duties, and obligations associated with the housing activities of the agency, excluding enforceable obligations retained by the successor agency and any amounts in the Low and Moderate Income Housing Fund, shall be transferred as follows:

(1) If there is no local housing authority in the territorial jurisdiction of the former redevelopment agency, to the Department of Housing and Community Development.

(2) If there is one local housing authority in the territorial jurisdiction of the former redevelopment agency, to that local housing authority.

(3) If there is more than one local housing authority in the territorial jurisdiction of the former redevelopment agency, to the local housing authority selected by the city, county, or city and county that authorized the creation of the redevelopment agency.

(c) Commencing on the operative date of this part, the housing successor may enforce affordability covenants and perform related activities pursuant to applicable provisions of the Community

1 Redevelopment Law (Part 1 (commencing with Section 33000)),
2 including, but not limited to, Section 33418.

3 (d) Except as specifically provided in Section 34191.4, any
4 funds transferred to the housing successor, together with any funds
5 generated from housing assets, as defined in subdivision (e), shall
6 be maintained in a separate Low and Moderate Income Housing
7 Asset Fund which is hereby created in the accounts of the housing
8 successor.

9 (e) For purposes of this part, “housing asset” includes all of the
10 following:

11 (1) Any real property, interest in, or restriction on the use of
12 real property, whether improved or not, and any personal property
13 provided in residences, including furniture and appliances, all
14 housing-related files and loan documents, office supplies, software
15 licenses, and mapping programs, that were acquired for low- and
16 moderate-income housing purposes, either by purchase or through
17 a loan, in whole or in part, with any source of funds.

18 (2) Any funds that are encumbered by an enforceable obligation
19 to build or acquire low- and moderate-income housing, as defined
20 by the Community Redevelopment Law (Part 1 (commencing with
21 Section 33000)) unless required in the bond covenants to be used
22 for repayment purposes of the bond.

23 (3) Any loan or grant receivable, funded from the Low and
24 Moderate Income Housing Fund, from homebuyers, homeowners,
25 nonprofit or for-profit developers, and other parties that require
26 occupancy by persons of low or moderate income as defined by
27 the Community Redevelopment Law (Part 1 (commencing with
28 Section 33000)).

29 (4) Any funds derived from rents or operation of properties
30 acquired for low- and moderate-income housing purposes by other
31 parties that were financed with any source of funds, including
32 residual receipt payments from developers, conditional grant
33 repayments, cost savings and proceeds from refinancing, and
34 principal and interest payments from homebuyers subject to
35 enforceable income limits.

36 (5) A stream of rents or other payments from housing tenants
37 or operators of low- and moderate-income housing financed with
38 any source of funds that are used to maintain, operate, and enforce
39 the affordability of housing or for enforceable obligations
40 associated with low- and moderate-income housing.

1 (6) (A) Repayments of loans or deferrals owed to the Low and
2 Moderate Income Housing Fund pursuant to subparagraph (G) of
3 paragraph (1) of subdivision (d) of Section 34171, which shall be
4 used consistent with the affordable housing requirements in the
5 Community Redevelopment Law (Part 1 (commencing with
6 Section 33000)).

7 (B) Loan or deferral repayments shall not be made prior to the
8 2013–14 fiscal year. Beginning in the 2013–14 fiscal year, the
9 maximum repayment amount authorized each fiscal year for
10 repayments made pursuant to this paragraph and subdivision (b)
11 of Section 34191.4 combined shall be equal to one-half of the
12 increase between the amount distributed to taxing entities pursuant
13 to paragraph (4) of subdivision (a) of Section 34183 in that fiscal
14 year and the amount distributed to taxing entities pursuant to that
15 paragraph in the 2012–13 base year. Loan or deferral repayments
16 made pursuant to this paragraph shall take priority over amounts
17 to be repaid pursuant to subdivision (b) of Section 34191.4.

18 (f) If a development includes both low- and moderate-income
19 housing that meets the definition of a housing asset under
20 subdivision (e) and other types of property use, including, but not
21 limited to, commercial use, governmental use, open space, and
22 parks, the oversight board shall consider the overall value to the
23 community as well as the benefit to taxing entities of keeping the
24 entire development intact or dividing the title and control over the
25 property between the housing successor and the successor agency
26 or other public or private agencies. The disposition of those assets
27 may be accomplished by a revenue-sharing arrangement as
28 approved by the oversight board on behalf of the affected taxing
29 entities.

30 (g) (1) (A) The housing successor may designate the use of
31 and commit indebtedness obligation proceeds that remain after the
32 satisfaction of enforceable obligations that have been approved in
33 a Recognized Obligation Payment Schedule and that are consistent
34 with the indebtedness obligation covenants. The proceeds shall be
35 derived from indebtedness obligations that were issued for the
36 purposes of affordable housing prior to June 28, 2011. Bond
37 proceeds derived from bonds issued between January 1, 2011, and
38 June 28, 2011, shall only be used for projects that meet the criteria
39 set forth in subparagraph (A) or (B) of paragraph (1) of subdivision
40 (c) of Section 34191.4. Enforceable obligations may be satisfied

1 by the creation of reserves for the projects that are the subject of
2 the enforceable obligation that are consistent with the contractual
3 obligations for those projects, or by expending funds to complete
4 the projects.

5 (B) The housing successor shall provide notice to the successor
6 agency of any designations of use or commitments of funds
7 specified in subparagraph (A) that it wishes to make at least 20
8 days before the deadline for submission of the Recognized
9 Obligation Payment Schedule to the oversight board. Commitments
10 and designations shall not be valid and binding on any party until
11 they are included in an approved and valid Recognized Obligation
12 Payment Schedule. The review of these designations and
13 commitments by the successor agency, oversight board, and
14 Department of Finance shall be limited to a determination that the
15 designations and commitments are consistent with bond covenants
16 and that there are sufficient funds available.

17 (2) Funds shall be used and committed in a manner consistent
18 with the purposes of the Low and Moderate Income Housing Asset
19 Fund. Notwithstanding any other law, the successor agency shall
20 retain and expend the excess housing obligation proceeds at the
21 discretion of the housing successor, provided that the successor
22 agency ensures that the proceeds are expended in a manner
23 consistent with the indebtedness obligation covenants and with
24 any requirements relating to the tax status of those obligations.
25 The amount expended shall not exceed the amount of indebtedness
26 obligation proceeds available and such expenditure shall constitute
27 the creation of excess housing proceeds expenditures to be paid
28 from the excess proceeds. Excess housing proceeds expenditures
29 shall be listed separately on the Recognized Obligation Payment
30 Schedule submitted by the successor agency.

31 (h) This section shall not be construed to provide any stream of
32 tax increment financing.

33 ~~SEC. 2. Section 34191.4 of the Health and Safety Code is~~
34 ~~amended to read:~~

35 ~~34191.4. The following provisions shall apply to any successor~~
36 ~~agency that has been issued a finding of completion by the~~
37 ~~Department of Finance:~~

38 ~~(a) All real property and interests in real property identified in~~
39 ~~subparagraph (C) of paragraph (5) of subdivision (c) of Section~~
40 ~~34179.5 shall be transferred to the Community Redevelopment~~

1 Property Trust Fund of the successor agency upon approval by the
2 Department of Finance of the long-range property management
3 plan submitted by the successor agency pursuant to subdivision
4 (b) of Section 34191.7 unless that property is subject to the
5 requirements of any existing enforceable obligation.

6 ~~(b) (1) Notwithstanding subdivision (d) of Section 34171, upon~~
7 ~~application by the successor agency and approval by the oversight~~
8 ~~board, loan agreements entered into between the redevelopment~~
9 ~~agency and the city, county, or city and county that created by the~~
10 ~~redevelopment agency shall be deemed to be enforceable~~
11 ~~obligations provided that the oversight board makes a finding that~~
12 ~~the loan was for legitimate redevelopment purposes.~~

13 ~~(2) If the oversight board finds that the loan is an enforceable~~
14 ~~obligation, the accumulated interest on the remaining principal~~
15 ~~amount of the loan shall be recalculated from origination at the~~
16 ~~interest rate earned by funds deposited into the Local Agency~~
17 ~~Investment Fund. The loan shall be repaid to the city, county, or~~
18 ~~city and county in accordance with a defined schedule over a~~
19 ~~reasonable term of years at an interest rate not to exceed the interest~~
20 ~~rate earned by funds deposited into the Local Agency Investment~~
21 ~~Fund. The annual loan repayments provided for in the recognized~~
22 ~~obligations payment schedules shall be subject to all of the~~
23 ~~following limitations:~~

24 ~~(A) Loan repayments shall not be made prior to the 2013-14~~
25 ~~fiscal year. Beginning in the 2013-14 fiscal year, the maximum~~
26 ~~repayment amount authorized each fiscal year for repayments~~
27 ~~made pursuant to this subdivision and paragraph (7) of subdivision~~
28 ~~(e) of Section 34176 combined shall be equal to one-half of the~~
29 ~~increase between the amount distributed to the taxing entities~~
30 ~~pursuant to paragraph (4) of subdivision (a) of Section 34183 in~~
31 ~~that fiscal year and the amount distributed to taxing entities~~
32 ~~pursuant to that paragraph in the 2012-13 base year. Loan or~~
33 ~~deferral repayments made pursuant to this subdivision shall be~~
34 ~~second in priority to amounts to be repaid pursuant to paragraph~~
35 ~~(7) of subdivision (e) of Section 34176.~~

36 ~~(B) Repayments received by the city, county or city and county~~
37 ~~that formed the redevelopment agency shall first be used to retire~~
38 ~~any outstanding amounts borrowed and owed to the Low and~~
39 ~~Moderate Income Housing Fund of the former redevelopment~~
40 ~~agency for purposes of the Supplemental Educational Revenue~~

1 ~~Augmentation Fund and shall be distributed to the Low and~~
2 ~~Moderate Income Housing Asset Fund established by subdivision~~
3 ~~(d) of Section 34176.~~

4 ~~(C) Twenty percent of any loan repayment shall be deducted~~
5 ~~from the loan repayment amount and shall be transferred to the~~
6 ~~Low and Moderate Income Housing Asset Fund, after all~~
7 ~~outstanding loans from the Low and Moderate Income Housing~~
8 ~~Fund for purposes of the Supplemental Educational Revenue~~
9 ~~Augmentation Fund have been paid.~~

10 ~~(e) (1) Bond proceeds derived from bonds issued on or before~~
11 ~~June 28, 2011, shall be used for the purposes for which the bonds~~
12 ~~were sold.~~

13 ~~(A) Bond proceeds derived from bonds issued between January~~
14 ~~1, 2011, and June 28, 2011, shall only be used for projects which~~
15 ~~meet the following criteria, as determined by a resolution issued~~
16 ~~by the oversight board:~~

17 ~~(i) The project shall be consistent with the applicable regional~~
18 ~~sustainable communities strategy or alternative planning strategy~~
19 ~~adopted pursuant to Section 65080 of the Government Code that~~
20 ~~the State Air Resources Board has determined would, if~~
21 ~~implemented, achieve the greenhouse gas emission reduction~~
22 ~~targets established by the board or, if a sustainable communities~~
23 ~~strategy is not required for a region by law, a regional~~
24 ~~transportation plan that includes programs and policies to reduce~~
25 ~~greenhouse gas emissions.~~

26 ~~(ii) Two or more significant planning or implementation actions~~
27 ~~shall have occurred on or before December 31, 2010. The term~~
28 ~~“significant planning and implementation actions” means any of~~
29 ~~the following:~~

30 ~~(I) An action approved by the governing body of the city,~~
31 ~~county, city and county, the board of the former redevelopment~~
32 ~~agency, or the planning commission directly related to the planning~~
33 ~~or implementation of the project.~~

34 ~~(II) The project is included within an approved city, county,~~
35 ~~city and county, or redevelopment agency planning document,~~
36 ~~including, but not limited to, a redevelopment agency five-year~~
37 ~~implementation plan, capital improvement plan, master plan, or~~
38 ~~other planning document.~~

39 ~~(III) The expenditure by the city, county, city and county, or~~
40 ~~project sponsor, of more than twenty-five thousand dollars~~

1 ~~(\$25,000) on planning related activities for the project within one~~
2 ~~fiscal year, or fifty thousand dollars (\$50,000) in total, over~~
3 ~~multiple fiscal years.~~

4 ~~(iii) Documentation dated on or before December 31, 2010,~~
5 ~~shall be provided indicating the intention to finance all or a portion~~
6 ~~of the project with the future issuance of long-term debt, or~~
7 ~~documentation showing that the issuance of long-term~~
8 ~~redevelopment agency debt was being planned on or before~~
9 ~~December 31, 2010.~~

10 ~~(iv) Each construction contract over one hundred thousand~~
11 ~~dollars (\$100,000) shall include a provision that prevailing wage~~
12 ~~will be paid by the contractor and all of that contractor's~~
13 ~~subcontractors.~~

14 ~~(v) For each construction contract over two hundred fifty~~
15 ~~thousand dollars (\$250,000), the successor agency shall require~~
16 ~~prospective contractors to submit a standardized questionnaire and~~
17 ~~financial statements as part of their bid package, to establish the~~
18 ~~contractor's financial ability and experience in performing large~~
19 ~~construction projects.~~

20 ~~(B) Any city, county, or city and county that funded an eligible~~
21 ~~project, meeting the criteria listed in clauses (i) to (iii), inclusive,~~
22 ~~of subparagraph (A) with funds other than redevelopment funds,~~
23 ~~between June 28, 2011 and the effective date of the act adding this~~
24 ~~paragraph, shall be eligible to be reimbursed utilizing 2011 bond~~
25 ~~proceeds, if the project meets the purpose for which the bonds~~
26 ~~were issued.~~

27 ~~(2) (A) Notwithstanding Section 34177.3 or any other~~
28 ~~conflicting provision of law, bond proceeds in excess of the~~
29 ~~amounts needed to satisfy approved enforceable obligations shall~~
30 ~~thereafter be expended in a manner consistent with the original~~
31 ~~bond covenants. Enforceable obligations may be satisfied by the~~
32 ~~creation of reserves for projects that are the subject of the~~
33 ~~enforceable obligation and that are consistent with the contractual~~
34 ~~obligations for those projects, or by expending funds to complete~~
35 ~~the projects. An expenditure made pursuant to this paragraph shall~~
36 ~~constitute the creation of excess bond proceeds obligations to be~~
37 ~~paid from the excess proceeds. Excess bond proceeds obligations~~
38 ~~shall be listed separately on the Recognized Obligation Payment~~
39 ~~Schedule submitted by the successor agency.~~

~~(B) If remaining bond proceeds cannot be spent in a manner consistent with the bond covenants pursuant to subparagraph (A), the proceeds shall be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.~~

SEC. 2. Section 34191.4 of the Health and Safety Code is amended to read:

34191.4. The following provisions shall apply to any successor agency that has been issued a finding of completion by the Department of Finance:

(a) All real property and interests in real property identified in subparagraph (C) of paragraph (5) of subdivision (c) of Section 34179.5 shall be transferred to the Community Redevelopment Property Trust Fund of the successor agency upon approval by the Department of Finance of the long-range property management plan submitted by the successor agency pursuant to subdivision (b) of Section 34191.5 unless that property is subject to the requirements of any existing enforceable obligation.

(b) (1) Notwithstanding subdivision (d) of Section 34171, upon application by the successor agency and approval by the oversight board, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created *by* the redevelopment agency shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes.

(2) If the oversight board finds that the loan is an enforceable obligation, the accumulated interest on the remaining principal amount of the loan shall be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund. The loan shall be repaid to the city, county, or city and county in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into the Local Agency Investment Fund. The annual loan repayments provided for in the recognized obligation payment schedules shall be subject to all of the following limitations:

(A) Loan repayments shall not be made prior to the 2013–14 fiscal year. Beginning in the 2013–14 fiscal year, the maximum repayment amount authorized each fiscal year for repayments made pursuant to this subdivision and paragraph (7) of subdivision (e) of Section 34176 combined shall be equal to one-half of the

1 increase between the amount distributed to the taxing entities
2 pursuant to paragraph (4) of subdivision (a) of Section 34183 in
3 that fiscal year and the amount distributed to taxing entities
4 pursuant to that paragraph in the 2012–13 base year, provided,
5 however, that calculation of the amount distributed to taxing
6 entities during the 2012–13 base year shall not include any amounts
7 distributed to taxing entities pursuant to the due diligence review
8 process established in Sections 34179.5 to 34179.8, inclusive.
9 Loan or deferral repayments made pursuant to this subdivision
10 shall be second in priority to amounts to be repaid pursuant to
11 paragraph (7) of subdivision (e) of Section 34176.

12 (B) Repayments received by the city, county, or city and county
13 that formed the redevelopment agency shall first be used to retire
14 any outstanding amounts borrowed and owed to the Low and
15 Moderate Income Housing Fund of the former redevelopment
16 agency for purposes of the Supplemental Educational Revenue
17 Augmentation Fund and shall be distributed to the Low and
18 Moderate Income Housing Asset Fund established by subdivision
19 (d) of Section 34176.

20 (C) Twenty percent of any loan repayment shall be deducted
21 from the loan repayment amount and shall be transferred to the
22 Low and Moderate Income Housing Asset Fund, after all
23 outstanding loans from the Low and Moderate Income Housing
24 Fund for purposes of the Supplemental Educational Revenue
25 Augmentation Fund have been paid.

26 (c) (1) Bond proceeds derived from bonds issued on or before
27 ~~December 31, 2010~~, June 28, 2011, shall be used for the purposes
28 for which the bonds were sold.

29 (A) *Bond proceeds derived from bonds issued between January*
30 *1, 2011, and June 28, 2011, shall only be used for projects which*
31 *meet the following criteria, as determined by a resolution issued*
32 *by the oversight board:*

33 (i) *The project shall be consistent with the applicable regional*
34 *sustainable communities strategy or alternative planning strategy*
35 *adopted pursuant to Section 65080 of the Government Code that*
36 *the State Air Resources Board has determined would, if*
37 *implemented, achieve the greenhouse gas emission reduction*
38 *targets established by the board or, if a sustainable communities*
39 *strategy is not required for a region by law, a regional*

1 *transportation plan that includes programs and policies to reduce*
2 *greenhouse gas emissions.*

3 *(ii) Two or more significant planning or implementation actions*
4 *shall have occurred on or before December 31, 2010. The term*
5 *“significant planning and implementation actions” means any of*
6 *the following:*

7 *(I) An action approved by the governing body of the city, county,*
8 *city and county, the board of the former redevelopment agency,*
9 *or the planning commission directly related to the planning or*
10 *implementation of the project.*

11 *(II) The project is included within an approved city, county, city*
12 *and county, or redevelopment agency planning document,*
13 *including, but not limited to, a redevelopment agency five-year*
14 *implementation plan, capital improvement plan, master plan, or*
15 *other planning document.*

16 *(III) The expenditure by the city, county, city and county, or*
17 *project sponsor, of more than twenty-five thousand dollars*
18 *(\$25,000) on planning related activities for the project within one*
19 *fiscal year; or fifty thousand dollars (\$50,000) in total, over*
20 *multiple fiscal years.*

21 *(iii) Documentation dated on or before December 31, 2010,*
22 *shall be provided indicating the intention to finance all or a portion*
23 *of the project with the future issuance of long-term debt, or*
24 *documentation showing that the issuance of long-term*
25 *redevelopment agency debt was being planned on or before*
26 *December 31, 2010.*

27 *(iv) Each construction contract over one hundred thousand*
28 *dollars (\$100,000) shall include a provision that prevailing wage*
29 *will be paid by the contractor and all of that contractor’s*
30 *subcontractors.*

31 *(v) For each construction contract over two hundred fifty*
32 *thousand dollars (\$250,000), the successor agency shall require*
33 *prospective contractors to submit a standardized questionnaire*
34 *and financial statements as part of their bid package, to establish*
35 *the contractor’s financial ability and experience in performing*
36 *large construction projects.*

37 *(B) Any city, county, or city and county that funded an eligible*
38 *project, meeting the criteria listed in clauses (i) to (iii), inclusive,*
39 *of subparagraph (A) with funds other than redevelopment funds,*
40 *between June 28, 2011, and the effective date of the act adding*

1 *this paragraph, shall be eligible to be reimbursed utilizing 2011*
2 *bond proceeds, if the project meets the purpose for which the bonds*
3 *were issued.*

4 (2) (A) Notwithstanding Section 34177.3 or any other
5 conflicting provision of law, bond proceeds in excess of the
6 amounts needed to satisfy approved enforceable obligations shall
7 thereafter be expended in a manner consistent with the original
8 bond covenants. Enforceable obligations may be satisfied by the
9 creation of reserves for projects that are the subject of the
10 enforceable obligation and that are consistent with the contractual
11 obligations for those projects, or by expending funds to complete
12 the projects. An expenditure made pursuant to this paragraph shall
13 constitute the creation of excess bond proceeds obligations to be
14 paid from the excess proceeds. Excess bond proceeds obligations
15 shall be listed separately on the Recognized Obligation Payment
16 Schedule submitted by the successor agency.

17 (B) If remaining bond proceeds cannot be spent in a manner
18 consistent with the bond covenants pursuant to subparagraph (A),
19 the proceeds shall be used to defease the bonds or to purchase
20 those same outstanding bonds on the open market for cancellation.